

## Chapter 1

### Introduction

#### 1.1. Background

Background of the author chose to open a business in rubber plantations; it's because the capital to open the plantation with medium-scale in the areas of Bangka is still relatively low and can give the returns high enough for a long time. Although the current economic turmoil is happening right now, the author remains optimistic that the rubber plantation can be successful, given the time of planting rubber long enough, so that when the company is expected can take the results of natural rubber, economic turmoil has already passed. Author expected can get a lot of good feedback from this business plan, also from the books about how to plant rubber and the results of interviews with business entity and rubber farmers, so it can minimize the risk of failure.

The author sees there is a good opportunity in the rubber plantations business, it's because there is a high demand for natural rubber this time, and many parts of the rubber plant itself, that can be used or sold, so the author can maximize the income from rubber plantations. The author also plans to develop the company into a rubber processing company, so the products can have a higher value.

In implemented the aim, author establish a new company in the form of "Perseroan Terbatas" (Limited Company – abbreviated as "PT"), which is named PT. Binex. We make a comprehensive business plan to accommodate and to facilitate our aim to be true. In this comprehensive business plan, we can know the characteristic of agribusiness like market competition and prospected rate of return.

#### 1.2. Urgency

In the Indonesian economy, commodities like rubber plants have a strategic role, it's because:

1. Indonesia is a country that produces most of the natural rubber in the world, where the situation is very suitable to support the growth of the rubber.
2. As one of agricultural commodities (export of non oil and gas), this commodity has a good prospect as a source of income and taxes for Indonesia.
3. In the process of production and processing could also create employment, so it would be opportunities for the community to improve the welfare.

In addition, there is a trend of commodity prices increasing, including natural rubber commodity, which caused by increasing demand from developing countries such as China and India. As we know, China and India enjoy the increasing level of income right now, so it will encourage the level of consumption of those countries. In this case, China and India will increase production of vehicles that use many commodity rubbers, because of there are increasing demand for domestic market and also for export to another countries. There are many products that use rubber commodity, not only vehicles tires, so this rubber industry not only depends to vehicle manufacture industry.

The author is planning to establish and develop rubber plantations in the provinces of Bangka, but there is possibility when the company develop significant progress, the company will be expanding into another areas. The author's reasons to develop the rubber plantation in provinces of Bangka are:

1. Land prices still cheap
2. Conditions of land suitable for rubber plant
3. The existence of encouragement from local government to provide 1 million seeds winning

There is a strong support from the government to encourage local communities to plant rubber. Previously, they get income from tin mining, but now after the government limit the tin mining permits, many people who lost their source of income. Many of them become unemployment and author see there are many human resources that company can use. The majority rubber plantations at Bangka are owned by the traditional rubber farmers. They

manage the plantation by traditional way, so the level of productivity and quality is still low.

### 1.3. Business Issues

To become pioneer in this rubber plantation business, the company must face a high risk condition, because it require a long period of time (at least require 4 years) to cultivating and intercropping until the results of natural rubber can be taken. This also required high perseverance and patience, from either the company or farmers in cultivation the plantation. If not, then the rubber plant could dead or can not provide the maximum results. Other challenge that must faced by company is how company should manage the expenditure during the period of growing the rubber plant, so company needs to find another source of income, especially for the first four years. Therefore, we need a business plan that can provide a comprehensive picture of the company so it can avoid risks that can occur in the future.

### 1.4. Company Profile

To implement these objectives, the author plan establishes a new company called PT. Binex. The author expect this company could soon become go public company, which can contribute significant not only for Bangka's rubber industry, but also for national rubber production and it can employment for people, especially in Bangka. In addition, the company is expected to provide a high level of investment (ROI) for the shareholder, higher than deposit rate of return. At the initial stage, the company will be run as a family business, so the main management functions will become a job desk for the members of the family.

PT. Binex will also apply a simple organizational structure in the early stages, so every problem could be solved quickly, without undergoing a long time. Another goal is the level of supervision become easier for management, especially at the beginning of the establishment, where the company have a lot of problems that will occur. Of course, in the future when the company needs

become more complex, the current organizational structure can be developed in accordance with the needs of companies in the future.

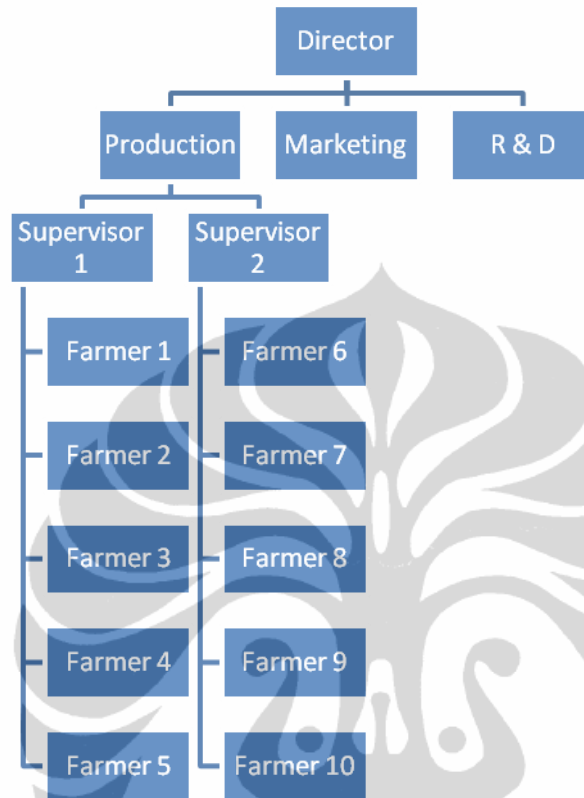


Figure 1-1 Organizational Structure

The company will work together with local farmers, like take the sap of natural rubber and share the results for each of the rubber sap obtained with the local farmers. Each farmer will receive 2 ha of land from the company to processed and all results must submitted to the compulsory plantation companies, farmers will receive an accordance portion of natural rubber's sap successfully obtained by each farmers. The initial phase of the company is selling directly to the rubber processing companies, which located at Bangka province. The next stage is the company can develop its own natural rubber sap into semi-finished products or final product, so the company can directly sell their products to local manufacture companies, also overseas manufacture companies (export to other country). But because the author has lack of experience and information, so the author decides to learn first a market's condition before proceeding to the next stage. The company also will learn the

production process from the sap of rubber products to be semi finished products or final product, so the result of quality is high.

In the plantation system that applied by the company, the companies will share the results with the farmers for each sap that obtained from the rubber plantation land provided by the company. Percentage distribution of the results of natural rubber is planned 70 percent for the company and the remaining 30 percent for farmers. With this system the company hope it can provide motivation and spirit to the farmers to build the company, so it could become another competitive advantage for the company. Another competitive advantage for company is cost of living in Bangka still low, so the company can make a lower production costs by maximizing the farmer's percentage. The company also will recruit experts that experienced in rubber cultivation to help farmers, so the quality and quantity of natural rubber produced by the company is high.

#### 1.5. Method of Research

In preparing business plans, the author will use the research exploration methodology (directly to the field to collect data) and descriptive methodology (retrieve data from the secondary). The steps that the author will do in the exploration research are:

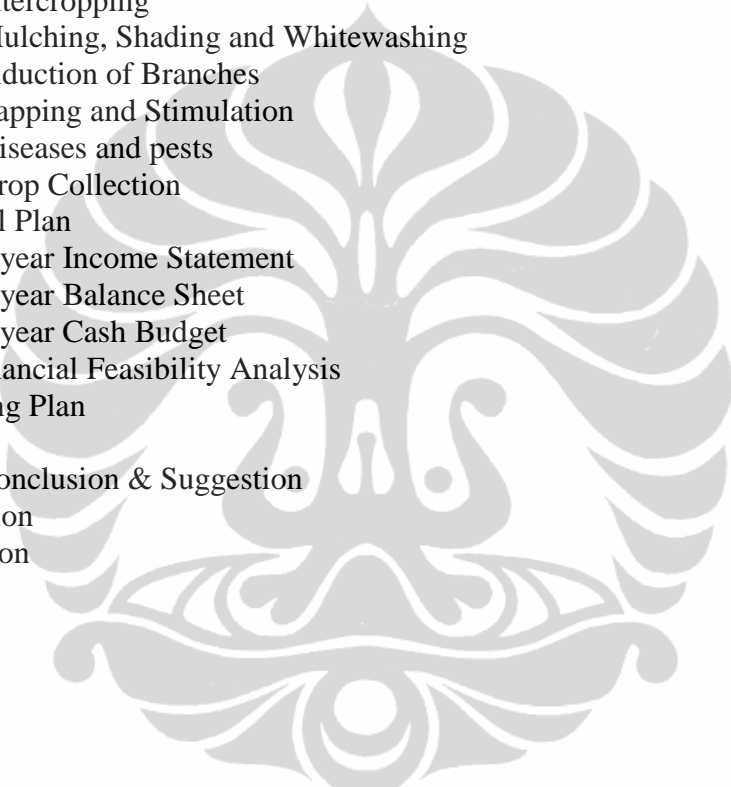
1. Examine the results of other rubber companies to find out what and how the results that most desired by rubber processing companies, so the buyers can value high for our product.
2. Conducting the survey in the field to collect data, ranging from soil conditions, local conditions, access roads, and others.
3. Visiting the rubber plantations that have been proven by a high quantity and quality rubber, in order to know how the techniques and methods to inculcate the rubber.

While for descriptive research, the author will gather the data from books that explain the way to cultivation rubber plant, and also collect data from other media, such as books, newspapers and internet.

## 1.6. Planned outline of the report

This systematic is based on a business plan format and added by others supporting theories in analyzing a problem or a strategy (academic thesis report format). This thesis report consists of several chapters, where in each chapter, it consists subchapter to describe a topic or a problem. The contents of sub-chapter are problem, supporting theory, research method (exploratory research or descriptive research), analysis, strategy discussion and strategy implementation. General description of the systematic thesis report is:

1. Chapter 1: Introduction
  - 1.7. General background,
  - 1.8. Urgency,
  - 1.9. Business issues
  - 1.10. Company profile
  - 1.11. Research methodology
  - 1.12. Planned outline of the report.
2. Chapter 2: Literature Review
  - 2.4. Entrepreneurship
  - 2.5. Business Plan
    - 2.2.1. Production Plan
    - 2.2.2. Marketing Plan
    - 2.2.3. Financial Plan
  - 2.3. Strategic Management & Planning
    - 2.3.1. Strategy Management
    - 2.3.2. Strategy Planning
  - 2.4. Analysis of Industry
    - 2.4.7. Bargaining Power of Suppliers
    - 2.4.8. Bargaining Power of Buyers
    - 2.4.9. Threat of New Entrants
    - 2.4.10. Threat of Substitutes
    - 2.4.11. Rivalry Among Competitors
    - 2.4.12. Market Analysis
  - 2.5. Agribusiness
3. Chapter 3: Market Analysis
  - 3.5. Analysis of Industry
  - 3.6. Analysis of Customers
  - 3.7. Analysis of Competitors
  - 3.8. External analysis related to functional perspective
4. Chapter 4: Business Strategy
  - 4.1. External Growth Strategies
  - 4.2. Internal Growth Strategies

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5. Chapter 5: Functional Plan
    - 5.4. Production Plan
      - 5.4.1. The Rubber Tree
      - 5.4.2. Propagation of Rubber
      - 5.4.3. Clones
      - 5.4.4. Agro-climatic Requirements
      - 5.4.5. Rubber Growing Soils
      - 5.4.6. Nursery Establishment
      - 5.4.7. Land Preparation
      - 5.4.8. Field Planting
      - 5.4.9. Intercropping
      - 5.4.10. Mulching, Shading and Whitewashing
      - 5.4.11. Induction of Branches
      - 5.4.12. Tapping and Stimulation
      - 5.4.13. Diseases and pests
      - 5.4.14. Crop Collection
    - 5.5. Financial Plan
      - 5.2.1. 10 year Income Statement
      - 5.2.2. 10 year Balance Sheet
      - 5.2.3. 10 year Cash Budget
      - 5.2.4. Financial Feasibility Analysis
    - 5.6. Marketing Plan
  6. Chapter 6: Conclusion & Suggestion
    - 6.3. Conclusion
    - 6.4. Suggestion